

Issue Brief – Continuation of FY 2006 One-time Funding

DIVISION OF SUBSTANCE ABUSE AND MENTAL HEALTH

NUMBER DHS-07-06

CONTINUATION OF FUNDING FOR UNINSURED MENTAL HEALTH PATIENTS

The Division of Substance Abuse and Mental Health (DSAMH) is requesting ongoing funding for the continuation of FY 2006 one-time General Funds of \$2 million for uninsured mental health patients at the local mental health centers in order to maintain the same level of support.

OBJECTIVE

The local public mental health authorities under Utah law are charged with delivering mental health services to residents under their jurisdiction under the direction of the State Board and the Division of Substance Abuse and Mental Health.

DISCUSSION AND ANALYSIS

Counties may choose to deliver services themselves or contract with a private provider. There are twelve mental health centers in the State. All except two centers (Heber and San Juan) have chosen to use the “capitated” rate system in dealing with Medicaid clients. The “capitated” rate system is similar to the function of a Health Maintenance Organization (HMO) in the private insurance market. Medicaid pays the mental health center a set rate for each Medicaid eligible person in their area. These rates were originally based on costs experienced under the “fee for service” system. They were then increased incrementally every year after that for inflation and usage. It is up to the center to deliver required services as efficiently and as effectively as possible. In the past, if a center can deliver the required services at a cost less than the rates collected from Medicaid, the center was able to use these “profits” for other purposes such as enhancing their delivery systems and serving non-Medicaid clients.

Starting in FY 2006, the federal Center for Medicaid and Medicare Services (CMS) changed its rate setting policy. It switched from the incremental rate setting method to an actuarial system based on actual Medicaid client-related expenses. It also changed its policy on the use of the Medicaid “capitated” rate revenues, restricting its use to Medicaid clients only. As a result, each of the local mental health centers was unable to use Medicaid savings to cover uninsured patients. In the 2005 General Session, the Legislature appropriated one-time General Funds of \$2 million to offset this loss.

RECOMMENDATION

It is the recommendation of the Analyst that the Division of Substance Abuse and Mental Health receive a one-time General Fund appropriation of \$2 million in FY 2007.